CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT 31 MARCH 2019 AND 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 31 March 2019	Audited 31 December 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	2.577.867	3.009.408
Trade receivables		1.600.675	1.194.398
Trade receivables from related parties	17	158.820	168.543
- Trade receivables from third parties		1.441.855	1.025.855
Other receivables		4.095	5.226
- Other receivables from related parties	17	1.573	3.043
- Other receivables from third parties		2.522	2.183
Derivative financial instruments		4.747	1.129
Inventories	5	981.083	1.129.581
Prepaid expenses		2.733.229	2.562.435
- Prepaid expenses to third parties	9	29.090	36.011
- Prepaid expenses to related parties	17	2.704.139	2.526.424
Other current assets		113.031	60.866
- Other current assets from third parties		113.031	60.866
Current income tax assets	12	18.973	31.925
TOTAL CURRENT ASSETS		**8.033.700**	**7.994.968**
NON - CURRENT ASSETS			
Financial investments		8.910	8.910
Other receivables		118.870	109.745
- Other receivables from related parties	17	118.870	109.745
Investment properties		1.476	1.476
Property, plant and equipment	7	4.213.069	4.085.395
Right-of-use assets		258.043	-
Intangible assets		31.642	27.793
Prepaid expenses		81.146	72.110
- Prepaid expenses to third parties	9	57.752	52.115
- Prepaid expenses to related parties	17	23.394	19.995
Derivative financial instruments		-	624
Deferred tax assets	12	259.467	270.900
Other non-current assets		15.577	15.885
- Other non-current assets from third parties		15.577	15.885
TOTAL NON - CURRENT ASSETS		**4.988.200**	**4.592.838**
TOTAL ASSETS		**13.021.900**	**12.587.806**

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT 31 MARCH 2019 AND 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 31 March 2019	Audited 31 December 2018
LIABILITIES			
CURRENT LIABILITIES			
Short term borrowings		2.559.316	2.784.469
- Short term borrowings from third parties		2.543.262	2.784.469
- Bank borrowings	6	1.271.249	1.261.339
- Operational lease liabilities	6	9.664	-
- Other financial liabilities	6	1.262.349	1.523.130
- Short term borrowings from related parties	17	16.054	-
- Operational lease liabilities		16.054	-
Short term portion of long term borrowings		212.254	234.491
- Short term portion of long-term borrowings from third parties		212.254	234.491
- Bank borrowings	6	184.861	170.377
- Bonds issued	6	27.393	64.114
Derivative financial instruments		-	13.954
Trade payables		707.436	697.145
- Trade payables to related parties	17	311.168	55.336
- Trade payables to third parties		396.268	641.809
Payables related to employee benefits		27.518	10.062
Other payables		41.680	48.712
- Other payables to related parties	17	24.932	25.302
- Other payables to third parties		16.748	23.410
Deferred income		70.938	23.519
- Deferred income from related parties	17	25.290	1.495
- Deferred income from third parties	8	45.648	22.024
Short term provisions		13.411	33.119
- Provision for employee benefits	10	10.308	30.051
- Other short term provisions	18	3.103	3.068
Other current liabilities		9.281	16.640
- Other current liabilities from third parties		9.281	16.640
TOTAL CURRENT LIABILITIES		**3.641.834**	**3.862.111**
NON - CURRENT LIABITIES			
Long term financial liabilities		4.802.555	4.306.321
- Long term financial liabilities from third parties		4.686.157	4.306.321
- Bank borrowings	6	1.762.072	1.681.996
- Operational lease liabilities	6	115.512	-
- Bonds issued	6	2.808.573	2.624.325
- Long term financial liabilities from related parties	17	116.398	-
- Operational lease liabilities		116.398	-
Derivative financial liabilities		8.650	-
Deferred revenue		189.200	178.668
- Deferred revenue from related parties	17	189.200	178.668
Long term provisions		102.982	105.770
- Provision for employee termination benefits	10	102.982	105.770
TOTAL NON - CURRENT LIABILITIES		**5.103.387**	**4.590.759**
TOTAL LIABILITIES		**8.745.221**	**8.452.870**

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT 31 MARCH 2019 AND 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 31 March 2019	Audited 31 December 2018
EQUITY			
Equity attributable to owners of the parent company		**4.242.070**	**4.090.300**
Share capital	11	1.650.000	1.650.000
Adjustment to share capital	11	238.988	238.988
Share premium		64.188	64.188
Other comprehensive income /(expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(29.607)	(29.607)
Other comprehensive income/(expense) to be reclassified to profit or loss		(41.815)	(39.556)
- Currency translation differences		(40.769)	(29.645)
- (Loss)/gain on flow hedges		(1.046)	(9.911))
Restricted reserves		330.000	310.644
Retained earnings		1.876.287	1.023.971
Net profit for the period / year		154.029	871.672
Non-controlling interest		**34.609**	**44.636**
TOTAL EQUITY		**4.276.679**	**4.134.936**
TOTAL LIABILITIES AND EQUITY		**13.021.900**	**12.587.806**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE MONTH PERIODS ENDED 31 MARCH 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 1 January - 31 March 2019	Unaudited 1 January - 31 March 2018
PROFIT OR LOSS			
Revenue		2.832.087	1.878.948
Cost of sales		(2.498.533)	(1.602.947)
GROSS PROFIT		**333.554**	**276.001**
General administrative expenses	13	(87.205)	(78.504)
Selling, marketing and distribution expenses		(23.902)	(17.532)
Research and development expenses		(5.800)	(4.704)
Other operating income	14	95.304	52.741
Other operating expense	14	(42.291)	(32.305)
OPERATING PROFIT		**269.660**	**195.697**
Income from investing activities		8.050	7.087
Expense from investing activities		(3)	-
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**277.707**	**202.784**
Financial income	15	558.799	275.787
Financial expenses	15	(646.008)	(312.599)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**190.498**	**165.972**
Tax expense from continued operations		**(46.675)**	**(40.164)**
- Current tax expense	12	(20.652)	(29.142)
- Deferred tax expense	12	(26.023)	(11.022)
PROFIT FOR THE PERIOD CONTINUING OPERATIONS		**143.823**	**125.808**
PROFIT FOR THE PERIOD		**143.823**	**125.808**
DISTRIBUTION OF INCOME/(EXPENSE) FOR THE PERIOD			
- Non-controlling interest		(10.206)	(5.565)
- Owners of the parent company		154.029	131.373
Earnings Per Share	16	**0,0934**	**0,0796**
- Earnings per Kr 1 number of 1 shares from continued operations		0,0934	0,0796

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE MONTH PERIODS ENDED 31 MARCH 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 1 January - 31 March 2019	Unaudited 1 January - 31 March 2018
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items to be reclassified to profit or loss		**(2.080)**	**1.089**
Currency translation differences		(8.718)	(648)
Other comprehensive income/(loss) related with cash flow hedges		8.297	2.172
Gain/(loss) on cash flow hedges		8.297	2.172
Taxes with other comprehensive income		(1.659)	(435)
Taxes relating to (loss)/gain on cash flow hedges		(1.659)	(435)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME		**(2.080)**	**1.089**
TOTAL COMPREHENSIVE INCOME		**141.743**	**126.897**
Attributable to:			
Non-controlling interests		(10.027)	(2.056)
Owners of the parent company		151.770	128.953

The accompanying notes are an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE THREE MONTH INTERIM PERIODS ENDED 31 MARCH 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

			Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/ (expense) to be reclassified to profit or loss								
	Share capital	**Adjustment to share capital**	**Actuarial loss arising from defined benefit plan**	**(Loss)/gain on cash flow hedges**	**Currency translation differences**	**Share premium**	**Restricted reserves**	**Net profit for the year**	**Retained earnings**	**Equity attributable to owners of the parent company**	**Non-controlling interests**	**Total equity**
1 January 2018	**1.500.000**	**238.988**	**(27.291)**	**(3.774)**	**(2.795)**	**214.188**	**192.599**	**1.401.959**	**280.057**	**3.793.931**	**60.147**	**3.854.078**
Transfers	-	-	-	-	-	-	71.545	(1.401.959)	1.330.414	-	-	-
Total comprehensive income	-	-	-	715	(3.135)	-	-	131.373	-	128.953	(2.056)	126.897
- Other comprehensive income	-	-	-	715	(3.135)	-	-	-	-	(2.420)	3.509	1.089
- Net profit for the period	-	-	-	-	-	-	-	131.373	-	131.373	(5.565)	125.808
Dividend paid	-	-	-	-	-	-	46.500	-	(586.500)	(540.000)	-	(540.000)
31 March 2018	**1.500.000**	**238.988**	**(27.291)**	**(3.059)**	**(5.930)**	**214.188**	**310.644**	**131.373**	**1.023.971**	**3.382.884**	**58.091**	**3.440.975**
1 January 2019	**1.650.000**	**238.988**	**(29.607)**	**(9.911)**	**(29.645)**	**64.188**	**310.644**	**871.672**	**1.023.971**	**4.090.300**	**44.636**	**4.134.936**
Transfers	-	-	-	-	-	-	19.356	(871.672)	852.316	-	-	-
Total comprehensive income	-	-	-	8.865	(11.124)	-	-	154.029	-	151.770	(10.027)	141.743
- Other comprehensive income	-	-	-	8.865	(11.124)	-	-	-	-	(2.259)	179	(2.080)
- Net profit for the period	-	-	-	-	-	-	-	154.029	-	154.029	(10.206)	143.823
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
31 March 2019	**1.650.000**	**238.988**	**(29.607)**	**(1.046)**	**(40.769)**	**64.188**	**330.000**	**154.029**	**1.876.287**	**4.242.070**	**34.609**	**4.276.679**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH INTERIM PERIODS ENDED 31 MARCH 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 1 January - 31 March 2019	Unaudited 1 January - 31 March 2018
A. Cash flows from operating activities:		**7.054**	**162.039**
Profit for the period (I)		143.823	125.808
Adjustments related to reconciliation of (II) net profit (loss) for the period:		**221.368**	**59.733**
Adjustments for depreciation and amortization		71.820	42.643
Adjustments for impairments/reversals		(30.237)	(904)
- Adjustments for impairment of inventories	5	(30.237)	(904)
Adjustments for provisions		36.521	(575)
- Adjustments for provision employment termination benefits		35.979	18.092
- Adjustments for provision legal cases		-	231
- Adjustments for provision/other cases		542	(18.898)
Adjustments for interest income/(expense)		65.402	(509)
- Adjustments for interest income	15	(32.665)	(49.593)
- Adjustments for interest expense	15	98.067	49.084
Adjustments for unrealized foreign currency translation differences		31.187	(22.688)
Adjustments for tax income/losses		46.675	40.164
Adjustments for income from government incentives		-	1.602
Changes in working capital (III)		**(299.368)**	**69.027**
Adjustments for increases in trade receivables		(453.058)	(2.064)
Adjustments for increases in other receivables		(14.156)	44.863
Adjustments for increases in inventory		192.278	86.649
Increases in prepaid expenses		(62.816)	(14.105)
Adjustments for decreases in trade payables		(961)	(59.072)
Adjustments for decreases in other payable		(14.389)	(26.593)
Increases in debts from employment termination benefits		9.959	15.118
Adjustments for increases/decreases in deferred revenue		45.831	23.915
Adjustments for increases/decreases in derivative financial instruments		(2.056)	316
Cash flows from operating activities (I+II+III)		**65.823**	**254.568**
Employee termination benefits paid		(51.068)	(24.114)
Income taxes refund/ (paid)		(7.701)	(68.415)
B. Cash flows from investing activıties		**(112.520)**	**(477.799)**
Cash outflows due to purchases of tangible and intangible assets		(109.049)	(67.811)
Proceeds from sale of tangible and intangible assets		15	26
Cash inflows due to advances given to related parties		(45.000)	(908.660)
Repayments from advances given to related parties		45.000	515.757
Cash outflows due to advances given to third parties		(3.486)	(17.111)
C. Cash flows from financing activities		**(511.492)**	**2.032.932**
Proceeds from borrowings	6	402.435	91.289
Repayments of borrowings	6	(481.657)	(283.048)
Cash inflows from bonds issued	6	-	1.882.762
Proceeds other financial liabilities	6	286.445	383.117
Repayments of other financial liabilities	6	(620.486)	(68.580)
Principal elements of lease payments		(8.505)	-
Interest received		42.978	55.369
Interest paid		(132.702)	(27.977)
D. Net increase / (decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**(616.958)**	**1.717.172**
E. Effect of currency translation differences on cash and cash equıvalents		**185.417**	**122.641**
Net increase / (decrease) in cash and cash equivalents (D+E)		**(431.541)**	**1.839.813**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**3.009.408**	**1.460.449**
CASH AND CASH EQUIVALENTSAT THE END OF THE PERIOD	**4**	**2.577.867**	**3.300.262**

The accompanying notes are an integral part of these consolidated financial statements

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Petkim Petrokimya Holding A.Ş. ("Petkim" or "the Company") was established on 3 April 1965. The Company started its investment activities in İzmit-Yarımca and initially established the Ethylene, Polyethylene, Chlorine Alkali, VCM and PVC plants in 1970 in the Yarımca Complex and in the following years, construction of other plants continued. In 1985, Aliağa Petrochemical Complex was established with advance technology and optimum capacity. The Company has 14 main plants, 1 bag production unit and 1 solid waste incineration facility. The Company operates its facilities in the petrochemical sector in Turkey.

The major operations of the Company and its subsidiaries are as follows:

- To establish and to operate factories, plants in Turkey home or abroad in relation to the petro-chemistry, chemistry and such other industrial sectors,

- To process and to treat the raw materials and supplementary/auxiliary substances, materials and chemicals necessary for the production of petrochemicals, chemicals and such other materials/substances by procuring such materials/substances either from Turkey or abroad, to produce such materials/substances, and to carry out and to perform the domestic and international trading thereof,

- In accordance with the Law 4628 on the Electricity Market, and the related legislation thereto, to establish power plants as per the auto-producer's license in order to meet its own need for electricity and heat/thermal energy at first, to generate electricity and heat/thermal energy, to sell the generated electricity and heat/thermal energy and/or the capacity to other legal persons holding the requisite licenses or to the eligible consumers as per the mentioned legislation in case of any surplus production, and to carry out and to perform the activities in relation to the obtainment of any and all kinds of equipment and fuel in relation to the electricity power/generating plant provided that such activities are not of commercial nature,

- To carry out and to perform the activities in relation to the importation or purchase from domestic resources, of natural gas on wholesale and retail basis, utilization, storage of natural gas imported and purchased, in accordance with the legislation thereto,

- To carry out and to perform pilotage, trailer and mooring activities, to operate ports, cruise ports, passenger terminals, seaports, docks, harbors, berths, liquid fuel/liquefied petroleum pipeline and buoy systems, and such other similar onshore facilities/plants, and to be involved in port management activities, to offer port, agency, provision, bunkering services, and to provide that such services are offered by third parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,

- To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Markets Board.

The "Share Sales Agreement", with respect to the sale of 51% of shares of Petkim Petrokimya Holding A.Ş. (which has been in the privatization process for several years) to SOCAR & Turcas Petrokimya A.Ş. ("STPAŞ"), 44% of which previously owned by the Republic of Turkey Ministry Privatization Administration ("Administration") and 7% State Pension Fund ("Emekli Sandığı Genel Müdürlüğü") transferred to Republic of Turkey Social Security Institution, was signed on 30 May 2008.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

On 22 June 2012, the public shares amounting to 10,32% of the Company capital which belonged to Prime Ministry Privatization Administration was sold to SOCAR İzmir Petrokimya A.Ş ("SİPAŞ") which is the subsidiary of the Company's main shareholder, SOCAR Turkey Enerji A.Ş. ("STEAŞ")

As of 31 March 2019 and 31 December 2018 the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

The Group is registered at the Capital Markets Board ("CMB") and have been quoted in Borsa İstanbul ("BIST") since 9 July 1990.

These condensed consolidated interim financial statements were approved to be issued by the Board of Directors on 10 May 2019 and signed by Mr. Anar Mammadov, General Manager and Mr. Rıza Bozoklar, Vice President of Finance, on behalf of the Board of Directors.

The registered address of the Company as of the date of preparation of the condensed consolidated interim financial statements is as follows:

Siteler Mahallesi Necmettin Giritlioğlu Cad.
SOCAR Türkiye Aliağa Yönetim Binası No 6/1 Aliağa/İZMİR

As of 31 March 2019, the Company's subsidiaries ("subsidiaries") the Company and its subsidiaries (hereinafter collectively referred to as the "Group") and their respective operating segments are as follows:

		Nature of operations	Business segment
1.	Petlim Limancılık Ticaret A.Ş. ("Petlim")	Port operations	Port
2.	Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	Plastic Processing	Petrochemistry

As of 31 March 2019, the average number of employees working for the Group is 2.501 (31 December 2018: 2.493). The details of the employees as of 31 March 2019 adn 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Union (*)	1.848	1.917
Non-union (**)	616	642
	2.464	**2.559**

(*) Indicates the personnel who are members of Petrol İş Union.
(**) Indicates the personnel who are not members of Petrol İş Union.

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT

2.1 Basis of Presentation of Financial Statements

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, "Principals of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS"/"TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

The condensed interim consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

The Group prepared its condensed interim consolidated financial statements fort the period ended 31 March 2019 in accordance with ("TAS") 34 "Interim Financial Reporting" in the framework of the Communique Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanting notes are presented in compliance with the format recommended by CMB including its mandatory information.

In compliance with the TAS 34, entities have preference in presenting their interim financial statements whether ful set or condensed. In this framework, the Group preferred to present its interim financial statements in consended.

The Group's condensed consolidated interim financial statements do not include all disclosure and notes that should be included at year-end financial statements. Therefore the condensed interim financial statements should be read in conjunction with the Group's annual consolidated financial statements dated 31 December 2018.

The Group maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legistation and the uniformchart of account issued by the Ministry of finance.

The consolidated financial statements, except for the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion, with the required adjustment and reclassification reflected fort he purpose of fair presentation in accordance with the TFRS.

According to CMB Communiqué No:14 and announcements made by the CMB, it is obligatory for the foreign exchange position table of the companies preparing the summary financial statements in interim periods to present the hedging ratio of the total foreign exchange liability and the total export and total import amounts in the footnotes of the financial statements. (Note 19).

The Group's financial statements in the interim condensed consolidated financial statements do not have any effect on the seasonality of the Group's operations.

2.2 Summary of significant accounting policies

Significant accounting policies applied in the preparation of the financial statements in the interim condensed consolidated statements are consistent with the explanations in the financial statements for the period 1 January - 31 December 2018 except for the following:

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT (Continued)

2.2 Summary of significant accounting policies (Continued)

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

Expenses which are not evenly distributed through the year are recognized in the condensed consolidated interim financial statements only when they can be estimated or deferred appropriately.

2.3 Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the parent company, Petkim and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS applying uniform accounting policies and presentation.

a) Subsidiaries

All companies that have control over the Group are affiliates of the Group. The Group controls the entity if it is exposed to variable interest due to its relationship with the entity or if it has the right to influence the entity at the same time. Control over the subsidiary the subsidiary is included in the consolidation as of the date of its transition to the Group. Since the control on the subsidiary has ended, the related subsidiary is excluded from the scope of consolidation.

The balance sheets and income statements of the companies included in the consolidation have been consensated using the full consolidation method and all debit/credit balances and transactions between them have been mutually canceled. The shareholding amounts and the shareholders' equity of the companies participating in are eliminated mutually. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TAS/TFRS applying uniform accounting policies and presentation. Gains and losses arising from intra-group transactions recognized in assets are eliminated when the losses are offset against each other and unrealized losses are eliminated when the transaction does not indicate an impairment in the transferred asset.

The non-controlling share in the net assets and results of subsidiaries for the period are classified within the materiality principle of the account in the consolidated statements of balance sheets and retained earnings. The accounting policies of the subsidiaries have been changed where necessary to be consistent with the accounting policies accepted by the Group.

The table below sets out the associates and the proportion of ownership interest as of 31 March 2019 and 31 December 2018.

Subsidiaries	**Direct or Indirect Control Shares of Company (%)**	
	31 March 2019	**31 December 2018**
Petlim	73,00	73,00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100,00	100,00

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT (Continued)

b) Foreign currency translation

i) Functional and presentation currency

The financial statements of each company of the Group are measured in the currency in which the entity is located and in which the operations are maintained ("functional currency"). As a result of the Group management's assessment, the functional currency of Petlim has been designated as US Dollars as of 1 January 2017 due to Petlim's commencement of its operations and generating all its revenues in US Dollars. The condensed consolidated interim financial statements have been prepared and presented in Turkish lira ("TL") which is the parent company's functional and presentation currency.

ii) Transactions and balances

Transactions in foreign currencies have been translated into functional currency at the exchange rates prevailing at the date of the transaction. Exchange gain or losses arising from the settlement translation of monetary assets and liabilities denominated in foreign currency at the exchange rates prevailing at the balance sheet dates are included in consolidated comprehensive income, except for the effective portion of foreign currency hedge of cash flow which are included under shareholder's equity.

iii) Translation of financial statements of subsidiaries, whose functional currency is not Turkish liras

Upon the change in functional currency of Petlim as US Dollars as of 1 January 2017, in accordance with the transition provisions of TMS 21, "Effects of Changes in Foreign Exchange", the financial statements of Petlim have been converted to US Dollars with the exchange rate as of 1 January 2017.

As of 31 March 2019, Petlim's assets and liabilities are translated into TL from the foreign exchange rate at the date of that balance sheet date. The income and expenses of Petlim are translated into TL at the average exchange rate. The effects of conversion of opening net assets of Petlim and the differences arising from the exchange rates at the average exchange rates and balance sheet dates are recognized in "currency translation differences" in other comprehensive income.

The balance sheet date rates and average rates used for translation for the related periods are as follows:

The end of the period:	**31 March 2019**	**31 December 2018**
Turkish Liras / USD Dollars	5,6284	5,2609

<u>Average</u>:	**31 March 2019**	**31 March 2018**
Turkish Liras / USD Dollars	5,3629	3,8094

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT (Continued)

2.4 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 March 2019:

- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

- **Amendment to IAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This TFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT (Continued)

2.4 Amendments in Turkish Financial Reporting Standards (Continued)

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
    TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

b) Other new standards, amendments and interpretations issued and effective as of 31 March 2019 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

c) Standards, amendments and interpretations that are issued but not effective as at 31 March 2019:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:

  i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material; and
  iii) incorporate some of the guidance in TAS 1 about immaterial information.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

  The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group. However, no material effect is expected as a result of adoption of these standards and interpretations.

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT (Continued)

2.5 Comparative information and restatement of previous year financial statements

The Group prepared its interim condensed consolıdated financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 March 2019 on a comparative basis with balance sheet at 31 December 2018; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 March 2019 on a comparative basis with financial statements for the period of 1 January - 31 March 2019. For the purpose of convenience with the presentation of current period consolidated financial statements, comparative information is restated when necessary and major changes are disclosed.

2.6 Restatement and errors in the accounting policies and estimates

The Group has applied the first time adoption of a new standard TFRS 16 "Leases" in accordance with the transition requirements. Effects of first time adoption of this standard and changes in accounting policy are disclosed as follows:

TFRS 16 Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset. The Group assess whether:

- the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- the Group has the right to direct use of the asset. The Group has the right when it has the decision making rights that are most relevant to changing the how and for what purpose the asset is used is predetermined, the Group has the right the use of asset if either:

  i. the Group has the right to operate the asset or;
  ii. the Group designed the asset in a way that predetermines how and for what purpose it is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) amount of the initial measurement of the lease liability;
b) any lease payments made at or before the commencement date, less any lease incentives received;
c) any initial direct costs incurred by the Group; and costs incurred by the Group for restoring the asset underlying the conditions of leasing (excluding costs incurred for the production of inventories).

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT (Continued)

2.6 Restatement and errors in the accounting policies and estimates (Continued)

TFRS 16 Leases (Continued)

The Group re-measure the right of use asset:

a) after netting-off depreciation and reducing impairment losses from right of use asset,
b) adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies TMS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group' incremental borrowing rate. Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
c) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

a) increasing the carrying amount to reflect interest on lease liability
b) reducing the carrying amount to reflect the lease payments made and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Variable lease payments

Group's lease contracts also include variable lease payments, which are not in the scope of TFRS 16. Variable lease payments are recognised in profit or loss in the related period.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT (Continued)

2.6 Restatement and errors in the accounting policies and estimates (Continued)

TFRS 16 Leases (Continued)

The Group – as a lessor

The Group's activities as a lessor are not material.

First time adoption of TFRS 16 Leases

The Group has applied TFRS 16 "Leases", which replaces TAS 17, for the effective period beginning on 1 January 2019 in line with the simplified approach. The cumulative impact of applying TFRS 16 is accounted in the consolidated financial statements retrospectively at the start of the current accounting period ("cumulative impact approach"). The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

With the transition to TFRS 16 "Leases", a "lease liability" is recognized in the consolidated financial statements for the lease contracts, which were previously measured under TAS 17 as operational leases. At transition lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under TFRS 16 as of 1 January 2019 is as below:

	1 January 2019
Operating lease commitments within the scope of TAS 17	**599.539**
- Service agreements (-)	219.504
Total lease liabilities within the scope of TFRS 16 (non discounted)	**819.043**
Total lease liabilities within the scope of TFRS 16 (discounted with alternative borrowing rate)	**255.213**
- Short term lease liabilities	23.287
- Long term lease liabilities	231.926

The weighted average of the Group's incremental borrowing rates for US Dollar, EUR and TL as of 1 January 2019 are respectively 8%, 6% and 19%.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT (Continued)

2.6 Restatement and errors in the accounting policies and estimates (Continued)

As of January 1, 2019 and March 31, 2019, the details of the right of use assets that are accounted in the condensed consolidated financial statements are as follows:

	31 March 2019	**1 January 2019**
Lands	112.738	113.659
Buildings	120.435	123.528
Machinery, equipment and installations	4.313	5.751
Motor vehicles	20.557	23.195
Total right of use	**258.043**	**266.133**

2.7 Critical accounting estimates and judgments

a) Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 18.

b) Useful life of tangible and intangible assets and investment property

The Group determines useful lives of tangible and intangible assets and investment properties in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. Useful lives of land improvements related to port project are estimated by considering leasing period granted by Petlim in via operator agreement dated 22 February 2013. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 31 March 2019.

c) Deferred income tax assets

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 12). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT (Continued)

2.7 Critical accounting estimates and judgments (Continued)

d) Provision for employee benefits

Actuarial assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are used to calculate Group's provision for employee benefits. Such assumptions used in determination of the provision for defined benefit plans are disclosed in Note 10.

e) Exchange rate valuation of foreign currency denominated advances given to related parties in accordance with share purchase of Rafineri Holding A.Ş.

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAŞ), a share sale and transfer agreement ("Agreement") has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAŞ with a purchase consideration of USD 720 million. The shares of Rafineri Holding, which are subject to the Agreement may be purchased by the Group provided that the conditions specified in the Agreement are realized. As Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalization of share transfer is subject to Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 31 March 2019 and have been subjected to exchange rate valuation.

NOTE 3 - SEGMENT REPORTING

Operating segments are identified on the same basis as financial information is reported internally to the Group's chief operating decision maker. The Company Board of Directors has been identified as the Group's chief operating decision maker who is responsible for allocating resources between segments and assessing their performances. The Group management determines operating segments by reference to the reports reviewed by the Board of Directors to make strategic decisions.

The operating segment of the Group are as follows;

- Petrochemical
- Port

The Board of Directors assesses the performance of operating segments with specific criteria and measurement units. This measurement criterion consists of net sales and operating profit. Assets and liabilities of the segment include all assets and liabilities of the Group.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

a) Revenue

	1 January - 31 March 2019	1 January - 31 March 2018
Petrochemical	2.807.128	1.858.757
Port	24.959	20.193
Total before eliminations and adjustments	**2.832.087**	**1.878.950**
Consolidation eliminations and adjustments	-	(2)
	2.832.087	**1.878.948**

b) Operating profit

Petrochemical	262.807	188.439
Port	4.332	2.455
Total before eliminations and adjustments	**267.139**	**190.894**
Consolidation eliminations and adjustments	2.521	4.803
Operating profit	**269.660**	**195.697**
Financial (expenses)/income, net	(87.209)	(36.812)
Income from investing activities, net	8.047	7.087
Profit before tax from continued operations	**190.498**	**165.972**
Tax expense	(46.675)	(40.164)
Profit for the period	**143.823**	**125.808**

c) Total assets

	31 March 2019	31 December 2018
Petrochemical	11.979.642	11.583.892
Port	2.242.502	2.124.320
Total before eliminations and adjustments	**14.222.144**	**13.708.212**
Consolidation eliminations and adjustments	(1.200.244)	(1.120.406)
	13.021.900	**12.587.806**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

d) Total liabilities

	31 March 2019	31 December 2018
Petrochemical	7.449.732	7.243.428
Port	2.136.519	1.984.915
Total before eliminations and adjustments	**9.586.251**	**9.228.343**
Consolidation eliminations and adjustments	(841.030)	(775.473)
	8.745.221	**8.452.870**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2019	31 December 2018
Banks	2.577.867	3.006.484
- Demand deposits	9.159	7.188
- TL	1.718	2.261
- Foreign currency	7.441	4.927
- Time deposits	2.568.708	2.999.296
- TL	159.568	137.718
- Foreign currency	2.409.140	2.861.578
Other	-	2.924
	2.577.867	**3.009.408**

As of 31 March 2019, foreign currency time deposits consist of monthly deposits. The weighted average effective interest rates of USD and Euro monthly deposits are 3,74% and 1,50% per annum, respectively. (31 December 2018: USD – 5,32, Euro - 2,08%).

As of 31 March 2019, the TL dominated time deposits consist of overnight and monthly deposits and the weighted average effective interest rate is 20,42% and 20,50% per annum. (31 December 2018: overnight 22,88%, monthly 23,66%). The Group has no blocked deposits as of 31 March 2019 (31 December 2018: None).

NOTE 5 - INVENTORIES

	31 March 2019	31 December 2018
Raw materials	182.236	273.514
Work-in-progress	257.596	334.646
Finished goods	269.215	310.783
Trade goods	102.558	52.738
Goods in transit	7.616	130.836
Other inventories	164.940	60.379
Less: Provision for impairment on inventories	**(3.078)**	**(33.315)**
	981.083	**1.129.581**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 5 - INVENTORIES (Continued)

Movements of provision for impairment on inventory for the periods ended 31 March 2019 and 2018 were as follows:

	2019	2018
1 January	**(33.315)**	**(1.678)**
Current year additions	30.237	904
31 March	**(3.078)**	**(774)**

NOTE 6 - BORROWINGS AND BORROWING COSTS

	31 March 2019	31 December 2018
Short-term borrowings	1.271.249	1.261.339
Short-term portions of long-term borrowings	184.861	170.377
Bonds issued (***)	27.393	64.114
Operational lease liabilities	9.664	-
Other financial liabilities (**)	1.262.349	1.523.130
Short term financial liabilities	**2.755.516**	**3.018.960**
Long term borrowings (*)	1.762.072	1.681.996
Bonds issued (***)	2.808.573	2.624.325
Operational lease liabilities	115.512	-
Long term borrowings	**4.686.157**	**4.306.321**
Total financial liabilities	**7.441.673**	**7.325.281**

(*) Certain provisions concerning the long-term loan agreement for the container terminal investment of Petlim may possibly be deemed to have been breached because due to the fact that all formal procedures for the completion of the port have not been completed yet and the shareholding structure of the company operating the port has been changed. Currently, there is no dispute with the relevant finance institution concerning the loan in question. With the second phase of the terminal expected to be commissioned in short term and by obtaining an official waiver of the financial institution on the relevant provisions of the agreement, compliance with TMS 1 is achieved. Therefore, the Group classified the loan amounting to TRY 1.065 thousand, equivalent to USD 189 million, as long-term liability, considering the relevant provisions of TMS 1, as there is an explicit written legal document that prevents the withdrawal of the loan.

(**) Other financial liabilities consist of letters of credits and murabaha loan arising from naphtha purchases. The average remaining maturity of other financial liabilities is 98 days as of 31 March 2019 (31 December 2018: average remaining maturity 95 days).

(***) Petkim issued bonds listed on Ireland stock exchange and release of these bonds were realized on 26 January 2018.Total amount of these issued bonds 500 million USD, with a maturity of 5 years, coupon payment every 6 months and paying principal at the end of the maturity, with an annual interest rate of 5,875%.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average Interest rate p.a. (%)		Original currency		TL equivalent	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Short - term borrowings:						
TL borrowings	19,75 - 20,75 – No interest	No Interest	124.936	16.108	124.936	16.108
USD borrowings	Libor + 0,50 + 0,65	Libor + 0,50 + 0,65	154.757	221.152	871.034	1.163.461
EUR borrowings	Libor + 0,50 +0,65	Libor + 0,50	43.565	13.565	275.279	81.770
Short - term portions of long-term borrowings and bond issued:						
USD borrowings	Libor + 4,67 - 4,26	Libor + 4,67 - 4,26	11.523	10.631	64.854	55.929
Euro borrowings	Euribor + 0,6 +3,00 - 1,64	Euribor + 0,6 +3,00 - 1,64	18.992	18.986	120.007	114.448
Bond issued	5,88	5,88	4.867	12.187	27.393	64.114
Total short - term borrowings					**1.483.503**	**1.495.830**
Long - term borrowings and bond issued:						
USD borrowings	Libor + 4,67 - 4,26	Libor + 4,67 - 4,26	214.637	215.196	1.208.065	1.132.124
Euro borrowings	Euribor + 0,6 +3,00 - 1,64	Euribor + 0,6 +3,00 - 1,64	87.676	91.220	554.007	549.872
Bond issued	5,88	5,88	499.000	498.836	2.808.573	2.624.325
Total long - term borrowings					**4.570.645**	**4.306.321**
Total borrowings					**6.054.148**	**5.802.151**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings as of 31 March 2019 and 31 December 2018 is as follows:

	31 March 2019
2020	159.031
2021	212.888
2022	231.696
2023	3.028.035
2024	240.239
2024 over	698.756
	4.570.645

	31 December 2018
2020	174.808
2021	201.274
2022	218.618
2023	2.831.274
2024	225.618
2024 over	654.729
	4.306.321

Movements of net financial debt reconciliation are as of 31 March 2019 and 31 March 2018 as follows:

	2019	**2018**
1 January	**4.315.873**	**1.491.617**
Proceeds from financial liabilities	688.880	2.357.167
Repayments of financial liabilities	(1.102.143)	(351.627)
Changes in foreign exchange	439.260	244.952
Changes in interest accrual	(34.781)	29.982
Lease liabilities	257.628	-
Changes in Cash and cash equivalents	431.541	(1.839.813)
31 March	**4.996.258**	**1.932.278**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Transfers	Disposals	Foreign currency translation differences	31 March 2019
Cost:						
Land	16.216	-	-	(2)	-	16.214
Land improvements	206.498	-	-	-	189	206.687
Buildings	187.797	-	-	-	59	187.856
Machinery and equipment	7.408.282	-	350	-	-	7.408.632
Motor vehicles	11.628	-	-	-	-	11.628
Furniture and fixtures	124.523	-	3.225	(18)	43	127.773
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	1.624.656	-	-	-	104.963	1.729.619
Construction in progress	555.530	109.142	(9.293)	-	231	655.610
	10.136.797	**109.142**	**(5.718)**	**(20)**	**105.487**	**10.345.686**
Accumulated depreciation:						
Land improvements	(97.567)	(2.134)	-	-	(46)	(99.747)
Buildings	(110.919)	(1.114)	-	-	(29)	(112.062)
Machinery and equipment	(5.687.677)	(55.408)	-	-	-	(5.743.085)
Motor vehicles	(9.758)	(222)	-	-	-	(9.980)
Furniture and fixtures	(65.887)	(2.875)	-	5	(35)	(68.792)
Other fixed assets	(996)	-	-	-	-	(996)
Assets subject to operating lease	(77.927)	(13.641)	-	-	(5.716)	(97.284)
Leasehold improvements	(671)	-	-	-	-	(671)
	(6.051.402)	**(75.394)**	**-**	**5**	**(5.826)**	**(6.132.617)**
Net book value	**4.085.395**					**4.213.069**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2018	Additions	Transfers	Disposals	Foreign currency translation differences	31 March 2018
Cost:						
Land	13.501	-	-	(26)	-	13.475
Land improvements	177.687	-	993	-	91	178.771
Buildings	171.743	-	8.200	-	28	179.971
Machinery and equipment	6.862.864	-	18.110	-	-	6.880.974
Motor vehicles	11.512	-	-	-	-	11.512
Furniture and fixtures	98.178	-	2.784	-	21	100.983
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-		-	-	617
Assets subject to operating lease	663.032	-	491.041	-	44.996	1.199.069
Construction in progress	963.829	67.811	(521.128)	-	5.189	515.701
	8.964.013	**67.811**	**-**	**(26)**	**50.325**	**9.082.123**
Accumulated depreciation:						
Land improvements	(90.896)	(1.463)	-	-	(11)	(92.370)
Buildings	(106.681)	(993)	-	-	(11)	(107.685)
Machinery and equipment	(5.504.853)	(38.364)	-	-	-	(5.543.217)
Motor vehicles	(8.893)	(256)	-	-	-	(9.149)
Furniture and fixtures	(57.109)	(2.041)	-	-	(17)	(59.167)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(634)	(11)	-	-	-	(645)
Assets subject to operating lease	(21.558)	(9.515)	-	-	(1.257)	(32.330)
	(5.791.620)	**(52.643)**	**-**	**-**	**(1.296)**	**(5.845.559)**
Net book value	**3.172.393**					**3.236.564**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 8 - DEFERRED REVENUE

a) Short term deferred revenue

	31 March 2019	31 December 2018
Advances received	44.221	20.121
Deferred revenue	1.427	1.903
	45.648	**22.024**

NOTE 9 - PREPAID EXPENSES

a) Short - term prepaid expenses

	31 March 2019	31 December 2018
Advances given for inventory	24.196	25.153
Advances given for customs procedures	4.099	2.169
Prepaid rent, insurance and other expenses	795	8.689
	29.090	**36.011**

b) Long - term prepaid expenses

Advances given for property, plant and equipment	53.222	45.270
Prepaid rent, insurance and other expenses	4.530	6.845
	57.752	**52.115**

NOTE 10 - EMPLOYEE BENEFITS

a) Short - term employee benefits:

	31 March 2019	31 December 2018
Provision for bonus premium	6.125	24.500
Provision for seniority incentive bonus	4.183	5.551
	10.308	**30.051**

b) Long - term employee benefits:

Provision for employment termination benefits	68.101	82.718
Provision for unused vacation rights	28.383	16.702
Provision for seniority incentive bonus	6.498	6.350
	102.982	**105.770**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 10 - EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits:

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women).

The amount payable consists of one month's salary limited to a maximum of full TL 6.017,60 for each year of service as of 31 March 2019 (31 December 2018 – full TL5.434,42).

The liability is not funded, as there is no funding requirement.

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

TAS 19 requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 March 2019	31 December 2018
Net discount rate (%)	5,00	5,00
Probability of retirement (%)	100,00	100,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TL6.017,60 which is effective from 1 January 2019, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2018: full TL5.001,76).

Provision for seniority incentive bonus:

Seniority incentive bonus is a benefit provided to the personnel to promote their loyalty to the job and workplace.

The bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 and 100 days of gross salary for 30, 35 and 40 years seniority is paid to the union personnel with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

For the non-union personnel working at the Company, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 100 days for 30, 35 and 40 years seniority for the seniority levels in which they are entitled as of the aforementioned date and 30 days of gross salary for the following seniority levels that they are going to be entitled is paid with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 10 - EMPLOYEE BENEFITS (Continued)

The seniority incentive bonus provision is calculated by estimating the present value of the future probable obligation arising from the qualification of the employees for the bonus.

TAS 19 requires that actuarial valuation methods to be developed to estimate the employee benefit provisions. The following actuarial assumptions have been used in the calculation of the total provision:

	31 March 2019	**31 December 2018**
Net discount rate (%)	5,00	5,00
Used rate related to retirement probability (%)	100,00	100,00

NOTE 11 - EQUITY

The shareholders of the Company and their shareholdings as of 31 March 2019 and 31 December 2018 were as follows:

		31 March 2019		**31 December 2018**	
Group:	**Shareholder:**	**Share (%)**	**Amount**	**Share (%)**	**Amount**
A	Socar Turkey Petrokimya A.Ş.	51,00	841.500	51,00	841.500
A	Publicly traded and other	49,00	808.500	49,00	808.500
C	Privatization Administration	0,01	-	0,01	-
Total paid share capital			**1.650.000**		**1.650.000**
Adjustment to share capital			238.988		238.988
Total share capital			**1.888.988**		**1.888.988**

Adjustment to share capital represents the difference between the amounts of cash and cash equivalents contributions, restated for inflation, to share capital and the amounts before the restatement.

Capital of the Company is composed of all registered shares (31 December 2018 – All registered).

The following matters are subject to the approval of the member of the Board of Directors representing the C type share:

- The amendments on the articles of association affecting the privileges of type C,
- The recording of the transfer of the registered shares in the stock ledger,
- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

NOTE 11 – EQUITY (Continued)

Dividend distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from February 1, 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the company are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The dividend distribution policy of the Company has been determined in accordance with the Communiqué on Dividends II-19-1 as follows:

- In line with the determination of Profit Distribution Policy in 2013 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with relevant communiqués, the Profit Distribution resolution to be taken by the Board of Directors in the form of cash and/or shares and/or installments as long as the amount is not below than 50% of the distributable profit within the frame of the provisions of Capital Market Legislation and Turkish Commercial Code shall be submitted to the approval of General Assembly; and the distribution shall be completed within legal terms.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0,1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.
- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.
- In the event that calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 11 - EQUITY (Continued)

A provision in the main agreement is required for dividend to be distributable to holders of privileged shares, holders of usufruct right certificate, to the members of the board of directors, to the employees of the company and to non-shareholders. If, despite the fact that a provision is present in the main agreement regarding dividend distribution to these persons, a rate has not been determined, the dividend to be distributed to these persons may not exceed one fourth of the dividend distributed to shareholders under any circumstance except for those arising from privilege.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Adjustment to share capital has no use other than being transferred to paid-in share capital.

Board of Directors' proposal to distribute gross dividend at amount of TL 462.000 corresponding to %28 of the issued capital to shareholders as bonus shares has been approved on General Assembly Meeting dated 29 March 2019.

NOTE 12 - TAX ASSSETS AND LIABILITIES

a) Corporate tax:

Current tax asset at 31 March 2019 and 31 December 2018 are summarized below:

	31 March 2019	**31 December 2018**
Calculated corporation tax	146.589	125.936
Less: Prepaid taxes (-)	(165.562)	(157.861)
Total corporation tax asset	**(18.973)**	**(31.925)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - TAX ASSSETS AND LIABILITIES (Continued)

Tax expenses included in the income statement for the consolidated consolidated interim periods ended 31 March 2019 and 2018 are summarized below:

	1 January – 31 March 2019	1 January – 31 March 2018
Deferred tax income	(26.023)	(11.022)
Current period tax expense	(20.652)	(29.142)
Total tax expense	**(46.675)**	**(40.164)**

b) Deferred taxes

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the CMB Financial Reporting Standards and the statutory tax financial statements.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları ile Diger Bazı Kanunlarda Degisiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%.

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 March 2019 and 31 December 2018 were as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(160.482)	(99.163)	(32.096)	(19.833)
Deferred revenue related to the port rental agreement	(17.919)	(6.556)	(3.584)	(1.311)
Other	(300)	(4.468)	(60)	(893)
Deferred income tax liabilities	**(178.701)**	**(110.187)**	**(35.740)**	**(22.037)**
Unused investment incentives	884.848	888.885	234.947	236.079
Provision for employee benefits	113.285	135.816	22.657	27.163
Carry forward tax losses	75.057	21.976	15.011	4.395
Fair value difference of derivative financial instruments	3.903	13.954	781	2.791
Inventory provision	3.078	33.315	616	6.663
Rent allowance fee	4.267	4.309	853	862
Provision for legal cases	3.103	3.068	621	614
Other	98.606	71.850	19.721	14.370
Deferred income tax assets	**1.186.147**	**1.173.173**	**295.207**	**292.937**
Deferred tax assets, net			**259.467**	**270.900**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - TAX ASSSETS AND LIABILITIES (Continued)

The movement of deferred income tax is as follows:

	2019	2018
1 January	**270.900**	**237.963**
Recognized in the profit or loss statement	(26.023)	(11.022)
Recognized in other comprehensive income	(1.659)	(434)
Foreign currency translation differences	16.249	9.673
31 March	**259.467**	**236.180**

As of 31 March 2019, the Group has TL 884.848 unused investment spending for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections (31 December 2018: TL 888.885).

NOTE 13 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 March 2019	1 January - 31 March 2018
Personnel expense	(48.011)	(33.644)
Outsourced services	(13.075)	(22.337)
Depreciation and amortization	(10.178)	(2.995)
Energy expenses	(7.019)	(3.709)
Taxes, funds and fees	(2.342)	(3.019)
Other	(6.580)	(12.800)
	(87.205)	**(78.504)**

NOTE 14 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 31 March 2019	1 January - 31 March 2018
Foreign exchange gains	63.707	26.888
Term sales income	24.931	23.918
Rent income	3.326	1.717
Other	3.340	218
	95.304	**52.741**

b) Other operating expenses:

Foreign exchange losses	(23.582)	(12.534)
Term purchase expense	(7.785)	(11.253)
Provision for doubtful receivables	(1.321)	-
Other	(9.603)	(8.518)
	(42.291)	**(32.305)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 15 - FINANCIAL INCOME/EXPENSES

a) Finance income

	1 January - 31 March 2019	1 January - 31 March 2018
Foreign exchange gain	525.140	224.679
Interest income	32.665	49.593
Other	994	1.515
	558.799	**275.787**

b) Finance expense

Foreign exchange loss	(537.247)	(233.699)
Interest expense	(98.067)	(49.084)
Commission expense	(6.840)	(26.768)
Interest expense on employee benefits	(3.854)	(2.591)
Other	-	(457)
	(646.008)	**(312.599)**

NOTE 16 - EARNINGS PER SHARE

	1 January - 31 March 2019	1 January - 31 March 2018
Net profit for the period of the equity holders of the parent	154.029	131.373
Weighted average number of shares with nominal value of Kr1 each (thousand)	165.000	165.000
Earnings per share (Kr)	**0,0934**	**0,0796**

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 31 March 2019 and 31 December 2018 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

a) Trade receivables from related parties:

	31 March 2019	31 December 2018
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	157.612	168.543
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	646	-
SOCAR Azerikimya Production Union (2)	527	-
SOCAR TRADING SA (2)	35	-
	158.820	**168.543**

(1) Shareholders of the Company
(2) Shareholders of the Company or SOCAR's subsidiaries

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

b) Short term other receivables from related parties:

	31 March 2019	31 December 2018
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	862	24
STAR (2)	472	506
STEAŞ (1)	214	1.409
SOCAR Turkey Petrol Ener. Dağ. A.Ş. (2)	13	-
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	9	180
SCR Gayrimenkul A.Ş. (2)	2	923
TANAP Doğalgaz İletişim A.Ş. (2)	1	1
	1.573	**3.043**

c) Long term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. (2) (*)	118.870	109.745
	118.870	**109.745**

(*) Receivable from Socar Power Enerji Yatırımları A.Ş. consist from land sale and rent receivable amounting to TL 92.095, interest and other receivables amounting to TL 26.775. (31 December 2018: Revenue from Socar Power Enerji Yatırımları A.Ş. consist from land sale and rent receivable amounting to TL86.082, interest and other receivables amounting to TL23.663.)

d) Short term trade payables to related parties:

SOCAR Turkey Petrol Enerji Dağ. A.Ş. (2)	122.110	7.316
SOCAR Turkey Petrokimya A.Ş.(1)	67.719	-
STAR (2)	67.271	2.175
SOCAR Turkey Enerji A.Ş.("STEAŞ") (1)	50.596	45.330
SCR Gayrimenkul A.Ş. (2)	3.069	6
Azoil Petrolcülük A.Ş. (2)	267	419
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	136	90
	311.168	**55.336**

Short term trade payables to related parties mainly consist of consultancy and product purchases. Average maturity of short term trade payables is 26 days. (31 December 2018: 29 days).

(1) Shareholders of the Company
(2) Shareholders of the Company or SOCAR's subsidiaries

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Other payables to related parties:

	31 March 2019	31 December 2018
STEAŞ (1)	24.845	25.215
Due to shareholder	87	87
	24.932	**25.302**

f) Short term deferred revenue from related parties

	31 March 2019	31 December 2018
STAR (2)	22.938	1.495
SOCAR Turkey Akaryakıt Depolama A.Ş.(2)	1.820	-
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	532	-
	25.290	**1.495**

g) Long term deferred revenue from related parties

	31 March 2019	31 December 2018
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	185.100	174.527
STAR (2)	4.100	4.141
	189.200	**178.668**

h) Short term prepaid expense to related parties

	31 March 2019	31 December 2018
STEAŞ (1) (*)	2.702.155	2.525.317
STAR (2)	1.813	1.107
SCR Gayrimenkul A.Ş. (2)	91	-
SOCAR Turkey Akaryakıt Depolama A.Ş.(2)	80	-
	2.704.139	**2.526.424**

(*) As a result of negotiations between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAŞ), a share sale and transfer agreement ("Agreement") has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAŞ with a purchase price of USD 720 million. Rafineri Holding A.Ş. owns 60% shares of SOCAR Turkey Yatırım A.Ş. The shares of Rafineri Holding which are subject to the contract may be purchased by the Group provided that the conditions specified in the Agreement are realized on a date which is defined as the closing date in the contract. Closing date defined as 31 March 2019 as per agreement is modified as no later than 30 June 2020 by modification memorandum signed at 7 March 2019. As the agreement, Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalisation of the share transfer is subject to Group's operational performance and cash flows, advances paid are reclassified as prepaid expenses to related parties in the balance sheet as of 31 March 2019 and have been subject to Exchange rate valuation.

i) Long term prepaid expense to related parties

	31 March 2019	31 December 2018
STAR (2)	23.299	19.892
STEAŞ (1)	95	103
	23.394	**19.995**

(1) Shareholders of the Company
(2) Shareholders of the Company or SOCAR's subsidiaries

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

j) Short term operational lease liabilities from related parties

	31 March 2019	31 December 2018
SCR Gayrimenkul A.Ş. (2)	10.310	-
STAR (2)	4.432	-
STEAŞ (1)	1.312	-
	16.054	**-**

k) Long term operational lease liabilities from related parties

SCR Gayrimenkul A.Ş. (2)	103.633	-
STEAŞ (1)	12.765	-
	116.398	**-**

ii) Transactions with related parties

a) Other income/(expenses), income from investing activities and finance income/(expenses) from related party transactions - net:

	1 January - 31 March 2019	1 January - 31 March 2018
STEAŞ (1)	175.349	48.494
SOCAR Power Enerji Yatırımları A.Ş. (2)	8.673	4.233
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	536	(2)
SOCAR Azerikimya Production Union (2)	20	-
SOCAR Trading SA (2)	1	(14)
SCR Gayrimenkul A.Ş. (2)	(9.226)	2.164
SOCAR Turkey Petrol Enerji Dağ. A.Ş. (2)	(5.492)	(864)
STAR (2)	(2.712)	1.600
SOCAR Turkey Petrokimya A.Ş. (1)	-	13.438
	167.149	**69.049**

The Group has interest income for TL receivables with the rates of 29,55% and 21,51%, interest income for US Dollar receivables with the rates of 5,5% and 5% from SOCAR Power Enerji A.Ş. and interest income for TL receivables with the rate of 21,71% from Socar Turkey Enerji A.Ş. of the income derived from STAR, TL 2.867 of foreign exchange loss and TL 164 of other income. Income from STEAŞ composed of TL 81 of interest income and TL 176.396 of foreign exchange gain and TL 1.128 of other expense. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of foreign exchange gain of TL 6.164 and interest income of TL 2.509.

(1) Shareholders of the Company
(2) Shareholders of the Company or SOCAR's subsidiaries

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

b) Service and rent purchases from related parties:

	1 January - 31 March 2019	1 January - 31 March 2018
STEAŞ (1)	4.774	3.320
STAR (2)	4.292	3.492
SCR Gayrimenkul A.Ş.(2)	4.221	-
SOCAR Turkey Akaryakıt Depolama A.Ş.(2)	17	-
SOCAR Turkey Petrol Enerji Dağıtım. A.Ş. (2)	-	37
SOCAR Power Enerji Yatırımları A.Ş. (2)	-	3
	13.304	**6.852**

c) Product purchase from related parties:

STAR (2)	214.590	-
SOCAR Turkey Petrol Enerji Dağıtım A.Ş.(2)	189.896	40.362
SOCAR Turkey Petrokimya A.Ş. (1)	153.751	-
Azoil Petrolcülük A.Ş. (2)	619	539
SOCAR Trading SA (2)	-	17.408
	558.856	**58.309**

Purchases made from related parties consist of raw materials, commercial products and fuel purchases. Purchases made from STAR consist of 74.973 tone of naphta purchasing, amounting to TL 194.626 and other products purchasing 8.869 tone TL 19.964.

d) Product and service sales to related parties:

STAR (2)	14.976	5.068
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	998	-
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	589	8
SOCAR Azerikimya Production Union (2)	507	-
STEAŞ (1)	109	213
	17.179	**5.289**

(1) Shareholders of the Company
(2) Shareholders of the Company or SOCAR's subsidiaries

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

e) Rent income from related parties:

	1 January - 31 March 2019	1 January - 31 March 2018
STAR (2)	8.748	6.113
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	409	213
	9.157	**6.326**

f) Key management emoluments:

i. Key management emoluments – short term:

Payments for salary and seniority incentives	9.896	6.815
	9.896	**6.815**

ii. Key management emoluments – long term:

Provision for unused vacation	2.028	1.125
Provision for seniority incentives	427	136
Provision for employment termination benefits	149	103
	2.604	**1.364**
	12.500	**8.179**

The Group classifies the general manager, assistant general managers, and board of directors and audit committee members as executive management. Key management emoluments consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

(1) Shareholders of the Company
(2) Shareholders of the Company or SOCAR's subsidiaries

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short - term provisions:

	31 March 2019	31 December 2018
Provision for legal cases	3.103	3.068
	3.103	**3.068**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

b) Guarantees received:

	31 March 2019	31 December 2018
Bank guarantees within the context of DOCS	991.178	946.920
Letters of guarantee received from customers	610.282	551.916
Receivable insurance	517.896	479.635
Letters of guarantee received from suppliers	275.734	263.916
Letters of credit	165.834	51.592
Mortgages	2.000	2.000
	2.562.924	**2.295.979**

c) Guarantees given:

Mortgages given to banks	2.012.315	2.069.233
Mortgage given to banks (*)	1.079.984	1.009.468
Custom offices	78.737	42.099
Other	130.419	134.997
	3.301.455	**3.255.797**

(*) Petlim Limancılık Ticaret A.Ş. has signed a project finance credit agreement with a financial institution at an amount of USD 212 million which has 13 years maturity with the first 3 years no repayment period, for the external funding of the container port project. Petlim has used credit limit amounting to TL 1.080 thousand as of 31 March 2019. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. amounting TL105 thousand has been pledged. The project has financial ration liabilities that are valid during the operating period. On 20 November 2015, a mortgage amounting to USD350 million was established on Petlim's land sold by Petkim at a price of TL5.650.

Collaterals, Pledges and Mortgages ("CPM") provided by the Group:

A. Total amount of CPMs given for the Company's own legal personality	2.221.471	2.246.329
B. Total amount of CPMs given on behalf of fully consolidated companies(*)	1.079.984	1.009.468
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i. Total amount of CPMs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	3.301.455	**3.255.797**

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Ongoing cases and investigations

The Customs Administration levied an incremental VAT charge and fine amounting to TL1.413 on the Group in 2014, with the claim that the customs tariff statistical position of Pygas, which was imported by the group in 2014, requires SCT. The Group objected to the VAT charge and fine, then started legal proceedings when its objection was rejected by the Customs Administration.

While these lawsuits were in process, the Turkish Ministry of Finance started a limited tax inspection for the 2014 SCT with the claim that the customs tariff statistical position of Pygas requires SCT. As a result of this inspection, the Group was notified on 25 August 2017 of the imposition of a tax charge amounting TL99 thousand and penalty and interest of TL66 thousand. At the same time during 2017, two of the three ongoing lawsuits at local tax courts related to the imported Pygas were concluded in favour of the Group, with the conclusion that the product customs tariff statistical position does not require SCT. In the third lawsuit it was ruled that the product does require SCT but that the penalty amount was unfair. Subsequently on 28 September 2017 all the lawsuits which were heard at the Regional Administrative Court (the "Court of Appeals") were concluded in favour of the Group with rulings that the product's customs tariff statistical position does not require SCT, and a lawsuit was filed with the Council of State by the Customs Administration.

Furthermore, the Turkish Ministry of Finance started a new tax inspection for 2013, 2015 and 2016 regarding our use of Pygas, following the tax loss and late payment interest notification about SCT for 2014. As a result of this inspection, an SCT loss and late payment penalty of 0.75% of the total amount was calculated by the Turkish Ministry of Finance for the relevant years, considering that the Group is entitled to receive a tax refund of 99.25%. This result is different from the result of the inspection conducted in 2014, and the tax principal and tax losses for 2013, 2015 and 2016 were accrued and the Group was informed that the sum of such losses were TL937 and TL1.405, respectively. In accordance with 7143 numbered Law regarding restruction, a fine amounting TL479 was levied to the Group.

The tax principal and the tax loss calculated for 2013, 2015 and 2016 according to the Turkish Ministry of Finance resulted to be 99.25% less than the tax principal and tax loss calculated according to the previous methodology in 2014. The tax calculation method applied by the Turkish Ministry of Finance for 2013, 2015 and 2016 is considered to be applicable and exemplary to the tax principle and tax loss calculation for 2014, which supports the estimation that the tax principal and tax penalty regarding the Group's SCT for 2014 will be concluded with a reconciliation and/or litigation, without creating a material financial risk.

The Group management and the Group legal consultants estimate that since the Court of Appeals has ruled that the customs tariff statistical position of Pygas does not require SCT, the tax principal and penalty communicated by the Turkish Ministry of Finance will then be concluded with a settlement and/or litigation in a way that does not constitute any material financial risk. Thus, no provision has been recognised in the consolidated financial statements as of 31 December 2018.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

e) Operational leases

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of 31 March 2019 and 2018 are as follows:

	31 March 2019	31 March 2018
0-1 year	627.351	335.104
1-5 year(s)	660.566	1.148.113
5 years and more	2.747.302	1.862.834
Total	**4.035.219**	**3.346.051**

NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign exchange risk

The Group is exposed to currency risk on assets or liabilities denominated in foreign currencies. Management has set up a policy to balance and manage their foreign exchange risk. Existing risks are followed in meetings held by the Group's Audit Committee and Board of Directors and foreign currencies, closely in terms of the Group's foreign exchange position.

Although the raw materials, which comprise the significant portion of production and import volume, are foreign exchange-denominated cost items, the determination of sales prices by the Group in foreign exchange terms is a factor that decreases the foreign exchange risk in the cash flows.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency position

	31 March 2019				31 December 2018			
	TL equivalent	**USD dollar**	**Euro**	**Other**	**TL equivalent**	**USD dollar**	**Euro**	**Other**
1. Trade receivables	1.039.646	139.472	40.299	-	678.105	105.696	20.247	-
2a. Monetary financial assets (Cash, bank accounts included)	5.110.099	832.122	66.207	8.240	5.399.250	972.726	45.454	7.838
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	**6.149.745**	**971.594**	**106.506**	**8.240**	**6.077.355**	**1.078.422**	**65.701**	**7.838**
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	815.561	144.901	-	-	750.365	142.631	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	**815.561**	**144.901**	**-**	**-**	**750.365**	**142.631**	**-**	**-**
8. Total assets (3+7)	**6.965.306**	**1.116.495**	**106.506**	**8.240**	**6.827.720**	**1.221.053**	**65.701**	**7.838**
9. Trade payables	537.789	75.676	4.482	86.411	488.770	66.746	9.050	75.030
10. Financial liabilities	2.608.737	393.265	62.557	-	2.993.693	531.749	32.551	-
11a. Monetary other liabilities	-	-	-	-	-	-	-	-
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	**3.146.526**	**468.941**	**67.039**	**86.411**	**3.482.463**	**598.495**	**41.601**	**75.030**
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	3.511.203	525.406	87.676	-	3.314.131	525.434	91.220	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15a+15b)	**3.511.203**	**525.406**	**87.676**	**-**	**3.314.131**	**525.434**	**91.220**	**-**
17. Total liabilities (12+16)	**6.657.729**	**994.347**	**154.715**	**86.411**	**6.796.594**	**1.123.929**	**132.821**	**75.030**
18. Net (liability)/asset position of off-balance sheet derivative instruments (18a-18b)	**-**	**-**	**-**	**-**	**152.866**	**34.786**	**(5.000)**	**-**
18a. Amount of asset nature off-balance sheet derivative instruments	**-**	**-**	**-**	**-**	**183.006**	**34.786**	**-**	**-**
18b. Amount of liability nature-off balance sheet derivative instruments	**-**	**-**	**-**	**-**	**(30.140)**	**-**	**(5.000)**	**-**
19. Net foreign (liability) / asset position (8-17+19)	**307.577**	**122.148**	**(48.209)**	**(78.171)**	**31.126**	**97.124**	**(67.120)**	**(67.191)**
20. Net foreign currency (liability) / asset position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**307.577**	**122.148**	**(48.209)**	**(78.171)**	**31.126**	**97.124**	**(67.120)**	**(67.191)**
21. Total fair value of financial instruments used for foreign currency hedging	**-**	**-**	**-**	**-**	**(1.898)**	**(575)**	**187**	**-**
22. Hedged amount for current assets	**-**	**-**	**-**	**-**	**183.006**	**34.786**	**-**	**-**
23. Hedged amount for current liabilities	**-**	**-**	**-**	**-**	**(30.140)**	**-**	**(5.000)**	**-**
24. Export	**1.229.655**	**148.304**	**70.676**	**5.655**	**3.611.200**	**445.755**	**246.938**	**38.163**
25. Import	**1.792.499**	**317.557**	**12.242**	**11.217**	**5.764.669**	**1.114.524**	**55.666**	**85.919**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Table of sensitivity analysis for foreign currency risk

31 March 2019

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD – net	68.750	(68.750)	68.750	(68.750)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	**68.750**	**(68.750)**	**68.750**	**(68.750)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR – net	(30.462)	30.462	(30.462)	30.462
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	**(30.462)**	**30.462**	**(30.462)**	**30.462**
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(7.530)	7.530	(7.530)	7.530
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**(7.530)**	**7.530**	**(7.530)**	**7.530**
Total (3+6+9)	**30.758**	**(30.758)**	**30.758**	**(30.758)**

31 December 2018

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD – net	51.096	(51.096)	51.096	(51.096)
2- The part hedged for USD risk (-)	-		18.301	(18.301)
3- USD effect - net (1+2)	**51.096**	**(51.096)**	**69.397**	**(69.397)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR – net	(40.460)	40.460	(40.460)	40.460
5- The part hedged for EUR risk (-)	-	-	(3.014)	3.014
6- EUR effect - net (4+5)	**(40.460)**	**40.460**	**(43.474)**	**43.474**
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(7.523)	7.523	(7.523)	7.523
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**(7.523)**	**7.523**	**(7.523)**	**7.523**
Total (3+6+9)	**3.113**	**(3.113)**	**18.400**	**(18.400)**

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